

**GRAETTINGER
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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GRAETTINGER COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2007 Election)		
Bill Brown Jr.	President	2007
Rick Hopper	Vice President	2007
Duane Hoffman		2008
Roger Schmitt		2008
Kevin Jensen		2009

(After September, 2007 Election)		
Bill Brown Jr.	President	2009
Kevin Jensen	Vice President	2009
Duane Hoffman		2008
Roger Schmitt		2008
Kyle Norris		2011

School Officials

Dan Mart	Superintendent
Lisa Chapman	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Graettinger Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Graettinger Community School District, Graettinger, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

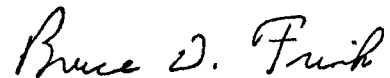
We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Graettinger Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2009 on our consideration of Graettinger Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 24 and 41 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graettinger Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 25, 2008

GRAETTINGER COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graettinger Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The District's overall financial condition dropped slightly from FY2007 to FY2008.
- The District's overall financial position declined from the prior year. The unreserved/undesignated General Fund balance decreased from \$635,857 to \$609,905. This dropped the District's financial solvency ratio to 22.06%, which is well above the target range of 5%-10%.
- We are entering the 5th year of the academic sharing agreement between Graettinger and Terril. Plans for reorganization are in the works. Public vote will be taken December 8, 2008.
- The Graettinger Community School District certified enrollment count taken in October 2008 was 232. This count represents 5 less students than the September 2007 count of 237.
- Interest rates were on a slow definite decline in FY2008 starting in November. July 2007 began with .60% APY in the General Fund. By March we had decreased to .52% and dropping to .40% in March then remaining steady until the end of the year. The T-Bill account was opened in July of 2005 with a \$300,000 deposit from the checking account. The APY in July 2007 was 3.65%. The rate dropped in November to 3.51% and again in December to 3.03% and finally to 1.31% in April. The rate remained at 1.31% until the end of June. On average in FY2007 the General Fund interest rate was .66% and in FY2008 that average dropped to .54%. In the T-Bill account the interest averaged 3.73% in TY2007 and dropped to an average of 2.71% in FY2008. Interest earned from the T-Bill resulted in \$4,789.57 while the checking account earned only \$1,146.81. In comparison to FY2007, the T-Bill dropped \$6,170.43 in interest earned and the general fund dropped only \$8.81. Thirty-thousand dollars was transferred from T-Bill account in July 2007 to prevent a deficit in the general fund. The District currently has the listed CDs invested as of June 30, 2008.

\$100,000	3.25%	State Bank, Terril
\$ 50,000	5.75%	State Bank, Terril
\$ 50,000	5.75%	State Bank, Terril
\$100,000	4.60%	Bank Plus, Graettinger
\$100,000	4.11%	Bank Plus, Graettinger

- The District ended FY2007 with a fund balance of \$635,857. For FY2008 this balance declined to \$609,905. This decrease is primarily due to an increase in salaries. Due to our superintendent sharing with Terril, our administrator salary is at 75%. We also shared a music teacher, band teacher, and Spanish teacher. We sold 100% of the services for middle school science and middle school math. We also purchased 100% of the services for high school science. We will be continuing to share staff.
- The Nutrition Fund ended June 2008 with a cash balance of -\$1,617.31. We currently employ 3 full-time cooks (head cook, cook and cook/dishwasher). Total wages for FY2008 were \$50,973. There were no major expenses in the Hot Lunch fund this year. An oven was put in the summer of 2008 and will be an expense for FY2009. Prices were raised for FY2008 as well as another increase for FY2009. Prices will be reviewed again in the second semester to see if another increase would be beneficial.

- Local Option and PPEL revenue totaled \$176,655 and expenditures were \$218,846. Expenditures in the 2007-2008 school year included many items. Cymbals and a storage cart were purchased for the music programs. The summer of 2008, Gary installed window air conditioners in almost every room. It was also required to install new electrical work to sustain the use of the air conditioners for all rooms and floors. Total cost of the project was \$17,183. Backboards were purchased for the gym for a cost of \$4,300. Various computer expenses were charged to the PPEL/SILO funds. We spent \$17,662 for a broken replacement computer, a 24 port gigabit, 4 computers used for administration, wireless updates and finally a match portion of the computers in the Ag Department. Swift Air installed an air handler/retrofit in the library in the amount of \$12,860. After the fire marshal was here and inspected we made the following improvements: inspection (\$1,690), drywall in the Ag room (\$1,173), lighting in the Ag room (\$579) and ceiling improvements for (\$1,188). We also purchased a school bus for \$67,700. Half of the bus was paid from SILO and half was paid from PPEL. All of our architect fees were paid from SILO/PPEL in the amount of \$12,050. Some of the projects they looked into were taking down the old building, office renovation and art/weight room. None of the projects are currently under construction. Improvements were made at Evergreen Park. Some of the expense was paid out of the PACGDC grant which included a new scoreboard. Tree removal, limestone and rock were also done at Evergreen Park. The kitchen also saw new improvements. A new bench was needed for a table. The bench cost \$259. The inspector also dictated new shelving, lighting and ceiling repairs for a total of \$2,710. The sidewalk was finished last summer by Tug Helmers. The total cost for the sidewalk and heat in sidewalk in front of the doors came to \$41,585. Doors were replaced at the Ag entrance, the elementary east entrance and front doors. The total cost of all doors was \$13,899. Garage doors, repairs to doors and new openers cost the District \$1,578. Finally, new flooring was laid in two classrooms. Including asbestos removal cost and flooring the total was \$35,429.
- The Special Education program report has not been completed. Due to changes at the state level, the reporting site has not been available and will not be due until late October or early November. One of our high cost students is being educated in the Graettinger Community School District instead of being tuitioned-out so tuition cost should be down for that student in FY2009. For FY2008 we still had three high cost students tuitioned-out. Special educations expenses are always hard to predict.
- The contribution ratio shows that the District decreased revenue at the state level by a small margin of 3.2%. Local revenue increased in the amount of \$131,945 or 4.4%. Federal resources also dropped by 1.1%.
- The Day's Net Cash Ratio shows that the District has begun to drop in cash flow capacity. On June 30, 2008 the District had a combination of cash and investments on hand in the amount of \$768,199. This amount when divided by FY2008 average daily expenditures of \$9,381 yields 101 days of operating cash flow. This is a slight decrease of 3 days since FY2007.

The following pages are the District's *Annual Financial Health Report*. It contains different indicators of the District's financial condition.

FINANCIAL INDICATOR SUMMARY SHEET

	2004	2005	2006	2007	2008
Balance Sheet Comparison					
% of Change between years:					
Assets	25.3%	57.4%	0.1%	5.1%	46.0%
Liabilities	25.6%	0.1%	-25.6%	113.3%	27.7%
Fund Balance	191.1%	34.4%	18.3%	9.5%	4.1%
Rev. & Exp. Comparison					
% of Change between years					
Revenues	3.6%	16.00%	7.9%	-4.3%	0.3%
Expenditures	4.3%	2.90%	10.0%	1.9%	1.8%
Fund Balance	12.6%	234.10%	-0.9%	53.6%	45.9%
Financial Solvency Ratio					
District Equity Position	11.95%	17.80%	20.07%	23.13%	22.06%
Rev. & Exp. Change Ratio					
Measures Trends	7.6	0.5	0.8	1.6	0.16
Rev. (Deficit) Margin Ratio					
Measures Operating Results	7.84%	5.72%	3.66%	2.20%	0.81%
Contribution Ratio					
Measures Local Taxation Effort:					
Local	44.1%	53.6%	55.9%	55.1%	59.5%
State	50.1%	41.3%	40.1%	41.1%	37.9%
Federal	5.7%	5.1%	4.0%	3.8%	2.7%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
Day's Net Cash Ratio					
Short Term Solvency (Days)	43	64	73	104	101
Assets to Liab. Ratio,					
Measures Short-term solvency	220.05%	448.66%	672.91%	396.84%	324.26%

Balance Sheet Comparisons General Fund Only

	FY07	FY08	\$ Change	% Change	leacar
ASSETS:					
Cash & Investments	\$768,800	\$768,199	(\$601)	-0.1%	P2L1-2
Receivables	\$81,267	\$118,705	\$37,438	46.1%	P2L3-7
Inventories	\$0	\$0	\$0	0.0%	P2L8
ISCAP	\$0	\$0	\$0	0.0%	P2L10-11
Other Assets	\$0	\$0	\$0	0.0%	P2L12
Total Assets	\$850,067	\$886,904	\$36,837	46.0%	
LIABILITIES:					
					leacar
Payables	\$214,210	\$273,519	\$59,309	27.7%	P2L24-29
Payroll	\$0	\$0	\$0	0.0%	P2L30-31
ISCAP	\$0	\$0	\$0	0.0%	P2L33-34
Other Liabilities	\$0	\$0	\$0	0.0%	P2L32&35
Total Liabilities	\$214,210	\$273,519	\$59,309	27.7%	
Fund Balance:					
					leacar
Reserved	\$0	\$3,480	\$3,480	0.0%	P2L44-53
Unreserved	\$635,857	\$609,905	(\$25,952)	-4.1%	P2L54
Total Fund Balance	\$635,857	\$613,385	(\$22,472)	-4.1%	

Revenue Expenditures Comparison General Fund Only

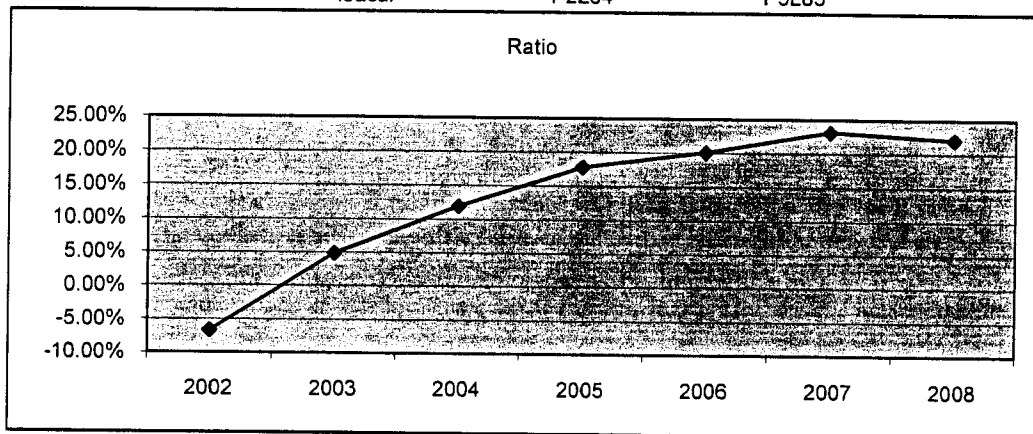
	FY07	FY08	\$ Change	% Change	
REVENUES:					leacar
Local Sources	\$1,515,256	\$1,647,201	\$131,945	8.0%	P5L39
State Sources	\$1,128,483	\$1,043,911	(\$84,572)	-8.1%	P5L54
Federal Sources	\$104,279	\$73,606	(\$30,673)	-41.7%	P5L78
Other Sources	\$560	\$0	(\$560)		P5L84
Total Revenues	\$2,748,578	\$2,764,718	\$16,140	0.3%	
EXPENDITURES:					
Instruction	\$1,528,432	\$2,005,598	\$477,166	23.8%	P6L1-7
Support Services	\$838,107	\$373,716	(\$464,391)	-124.3%	P6L8-25
Non-instructional	\$237,940	\$323,796	\$85,856	0.0%	P6L26-30
Other expenditures	\$83,493	\$84,078	\$585	0.7%	P6L31-33
Total expenditures	\$2,687,972	\$2,787,188	\$99,216	1.8%	
Changes in Fund Balance:					
Excess (deficiency of)					
revenues over/under					
expenditures	\$60,606	-\$22,470	\$83,076	45.9%	

Financial Solvency Ratio

Formula:
$$\frac{\text{Unreserved Undesignated Fund Balance (UUFB)}}{\text{Total GF Revenue}}$$

Financial Information and Computation:

Year		UUFB	Total Revenue	Ratio
2002		-\$154,412	\$2,301,655	-6.71%
2003		\$104,110	\$2,140,971	4.86%
2004		\$308,383	\$2,581,286	11.95%
2005		\$470,201	\$2,641,400	17.80%
2006		\$575,253	\$2,866,498	20.07%
2007		\$635,857	\$2,748,577	23.13%
2008		\$609,905	\$2,764,718	22.06%
leacar		P2L54	P5L85	



Purpose: Measure's the District's Fund Equity position

Trend: Slightly falling

Target: Short term greater than zero
Long term over 8 percent

Need/Concern: Full funding of budget revenue resources

Corrective Action: Levy for cash reserve

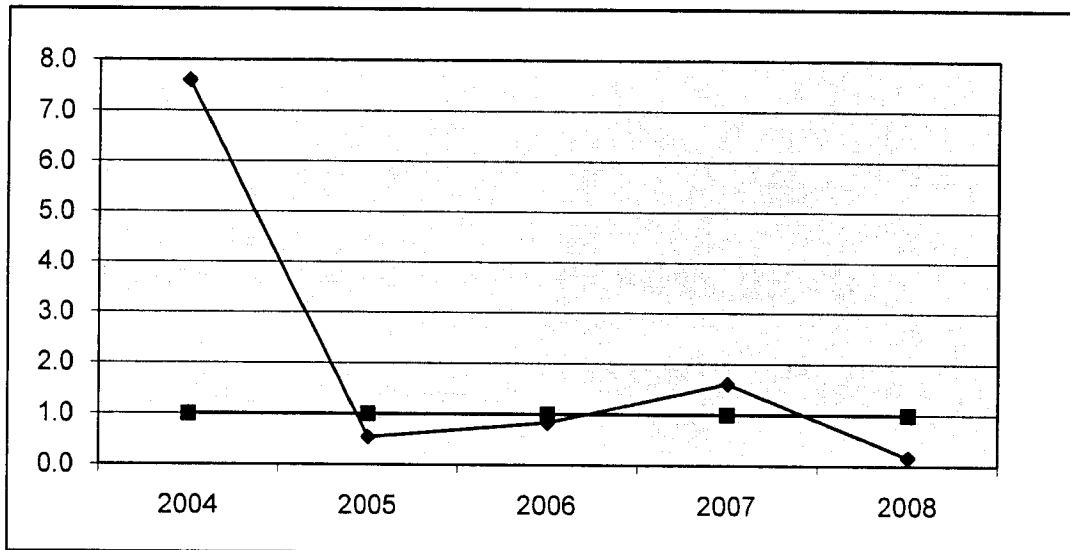
Revenue and Expenditures Change Ratio

Formula:
$$\frac{\text{Current Year Revenue} - \text{Prior Year Revenue}}{\text{Current Year Expenditures} - \text{Prior Year Expenditures}}$$

Financial Information and Computation:

Year	Revenue	Expenditures	Ratio	
			Rev	Exp
2003	\$2,140,971	\$2,320,916		
2004	\$2,581,286	\$2,378,844	7.6	1.0
2005	\$2,641,400	\$2,490,266	0.5	1.0
2006	\$2,866,498	\$2,761,446	0.8	1.0
2007	\$2,748,577	\$2,687,973	1.6	1.0
2008	\$2,764,718	\$2,787,190	0.16	1.0

	leacar	P5L85	P6L34		
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Purpose: Measure trends

Trend: Down

Target: Revenue ratio less than expenditure ratio

Need/Concern: Cause for concern exists when revenue change is less than the expenditure change from one fiscal year to the next. Long-term this has the effect of eroding the District's fund balance position.

Corrective Action: Spend less than allowed each budget year.

Revenue (Deficit) Margin Ratio

Formula:

$$\frac{\text{Revenue} - \text{Expenditures (Net Revenue)}}{\text{Total Revenue}}$$

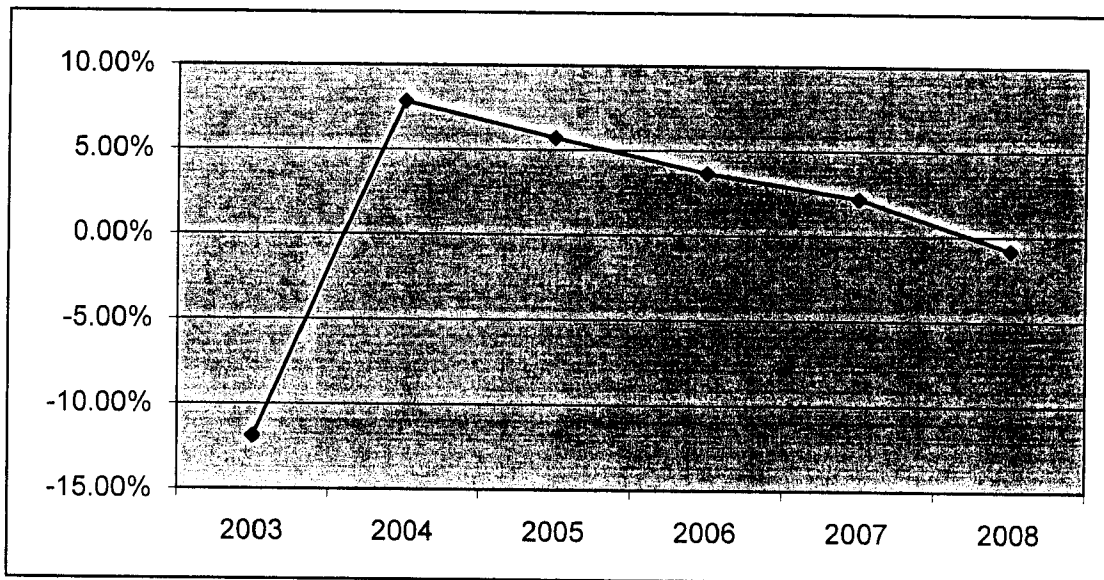
Financial Information and Computation:

Year	Net Revenue (Expenditures)	Total Revenue	Ratio	Year
2003	-\$254,565	\$2,140,971	-11.89%	2003
2004	\$202,442	\$2,581,286	7.84%	2004
2005	\$151,134	\$2,641,400	5.72%	2005
2006	\$105,052	\$2,866,498	3.66%	2006
2007	\$60,604	\$2,748,577	2.20%	2007
2008	-\$22,472	\$2,764,718	-0.81%	2008

leacar

P5L85-P6L34

P5L85



Purpose: Measure operating results

Trend: Decrease

Target: Greater than zero

Need/Concern: Full funding needed for budget revenue resources.

Corrective Action: Increase revenue sources or reduce expenditures

Contribution Ratio

Formula:
$$\frac{\text{Line Source Revenue}}{\text{Total Revenue}}$$

Financial Information and Computation:

	FY2007	
Line	Amount	Ratio
Source		
Local	\$1,515,256	55.1%
State	\$1,128,483	41.1%
Federal	\$104,279	3.8%
Other	\$560	0.0%
Total	\$2,748,578	100.0%

	FY2008	
Line	Amount	Ratio
Source		
Local	\$1,647,201	59.5%
State	\$1,049,911	37.9%
Federal	\$73,606	2.7%
Other	\$0	0.0%
Total	\$2,770,718	100.0%

leacar
P5L39
P5L54
P5L78
P5L84

Year	Local	State	Federal	Other
2004	44.1%	50.1%	5.7%	0.0%
2005	53.6%	41.3%	5.1%	0.0%
2006	55.9%	40.1%	4.0%	0.0%
2007	55.1%	41.1%	3.8%	0.0%
2008	59.5%	37.9%	2.7%	0.0%

Purpose: Measures local tax effort

Trend: NA

Target: NA

Need/Concern: As a district's property tax wealth grows the school aid formula shifts financial responsibility from the state to the local district. This can be seen in the table above.

Corrective Action: NA

Day's Net Cash Ratio

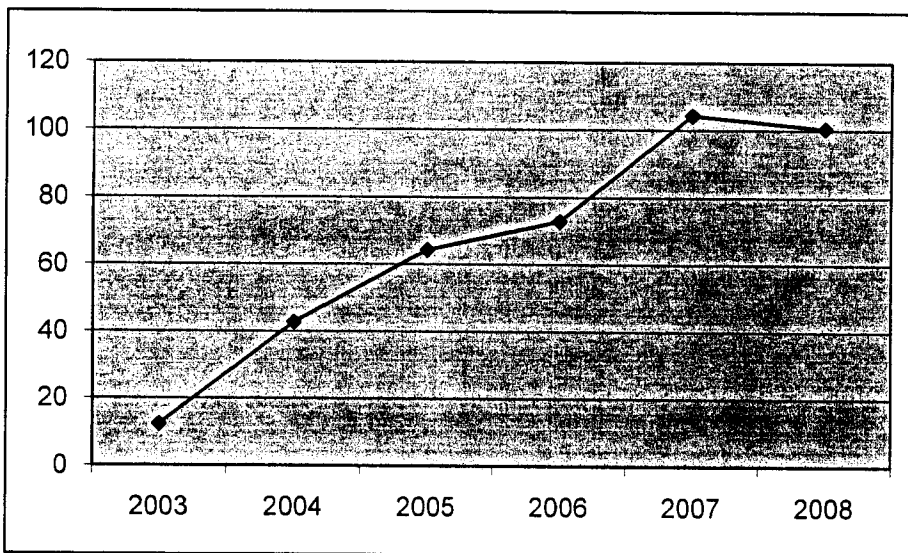
Formula:

$$\frac{\text{Cash \& Investments}}{\text{Average Daily Cash Expenditures}}$$

Financial Information and Computation:

Year	Cash & Investments	Total Expenditures	Daily (365) Expenditures	Ratio In Days
2003	\$78,642	\$2,320,916	\$6,359	12
2004	\$279,086	\$2,378,844	\$6,517	43
2005	\$439,457	\$2,490,266	\$6,823	64
2006	\$552,450	\$2,761,446	\$7,566	73
2007	\$768,800	\$2,687,973	\$7,364	104
2008	\$768,199	\$2,787,190	\$7,636	101

leacar-P2L1,2 leacar-P6L34



Purpose: Measures short term solvency and the ability to cash follow expenditures without receiving additional revenue.

Trend: Volatile

Target: 90 days

NeedConcern: Need to target for stability.

Corrective Action: Levy for cash reserve

Assets to Liabilities Ratio

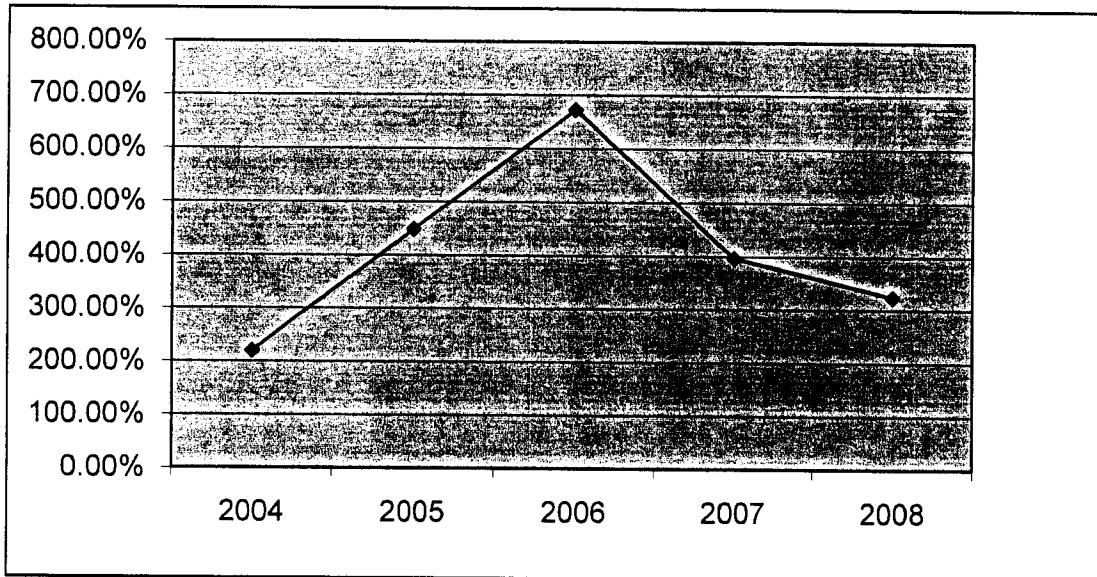
Formula:
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Financial Information and Computation:

Year	Assets	Liabilities	Ratio
2004	\$565,260	\$256,877	220.05%
2005	\$605,060	\$134,859	448.66%
2006	\$675,662	\$100,409	672.91%
2007	\$850,067	\$214,210	396.84%
2008	\$886,904	\$273,519	324.26%

leacar-P2L13

leacar-P2L36



Purpose: Measures short term solvency

Trend: leveling

Target: Greater than 100%

Need/Concern: When the assets/liabilities ratio is below 100% the district does not have the ability to pay off all current liabilities. Outside financial companies use this as a measure of financial health. Should the district seek a bond issue in the future, this ratio needs to be greater than 100% to obtain the best bond rating possible.

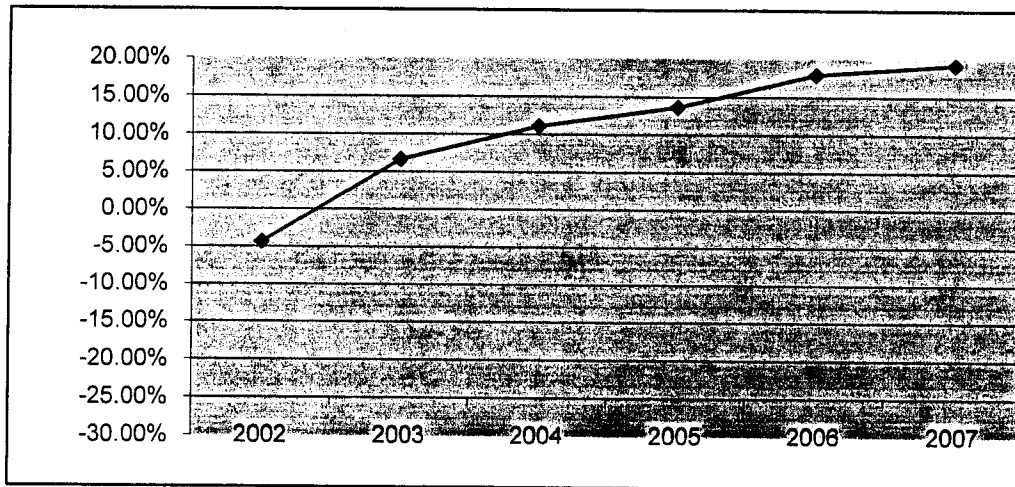
Corrective Action: Levy for cash reserve

Unspent Balance Ratio

Formula:
$$\frac{\text{Unspent Spending Authority}}{\text{Maximum Budget Authority}}$$

Financial Information & Computation:

Year	Maximum Authorized	Regular Unspent Bal.	Unreserved Unspent Bal.	Regular UB Ratio	Unreserved UB Ratio
2002	\$2,378,666	-\$103,720	\$564,943	-4.36%	23.75%
2003	\$2,485,622	\$164,706	\$667,324	6.63%	26.85%
2004	\$2,669,483	\$297,448	\$763,686	11.14%	28.61%
2005	\$2,876,731	\$393,246	\$836,500	13.67%	29.08%
2006	\$3,365,352	\$603,906	\$1,065,840	17.94%	31.67%
2007	\$3,330,550	\$642,577	\$936,308	19.29%	28.11%



Purpose: Measures the district's unbudgeted spending reserves

Trend: Increasing

Target: Unreserved unspent for short-term at 5-10 percent
Long-term 5 percent above accrued payroll liabilities

Need/Concern: An adequate level of budget reserves are important so the district can respond to emergencies. Conventional wisdom, when engaged in construction projects, suggests a minimum of 5% of the total project for contingency expenditures. The operating fund is no different.

Corrective Action: Spend less than allowed each budget year.

Historical Data

YEAR	Certified Enrollment	State Aid-Per Pupil	Single	Medical Insurance Cost	Spouse or Ch.	Open Enrollment-IN	Open Enrollment-OUT
September 2000	299.2		\$ 300	\$ 591		13	16
September 2001	302.4	\$4338-FY02	\$ 279	\$ 657		15	20
September 2002	286.2	\$4512-FY03	\$ 325	\$ 888		15	22
September 2003	272.1	\$4557-FY04	\$ 380	\$ 1,049		15	22
September 2004	279.1	\$4648-FY05	\$ 380	\$ 1,049		19	23
September 2005	268.1	\$4741-FY06	\$ 406	\$ 1,174	\$ 920	18	23
September 2006	236	\$4931-FY07	\$ 420	\$ 1,285	\$ 912	19	25
September 2007	237	\$5128-FY08	\$ 420	\$ 1,285	\$ 912	14	28
September 2008	232	5333-FY09	\$ 417	\$ 1,274	\$ 910	22	29

New Staff for FY09:

Corey Boe
 Jeff Sansgaard
 Ayn Thoreson
 Lynne Gould
 Phil Hamilton
 Barb Larson
 Chris Richards

Shared Teachers for FY09:

Brent Dyhrkopp-sold 100%
 Mel DeGroot-sold 100%
 Anne Sexe-sold 37.5%
 Phil Hamilton-sold 37.5%
 Marc Benedict-purchased 100%

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Graettinger Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Graettinger Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Graettinger Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Graettinger Community School District Annual Financial Report

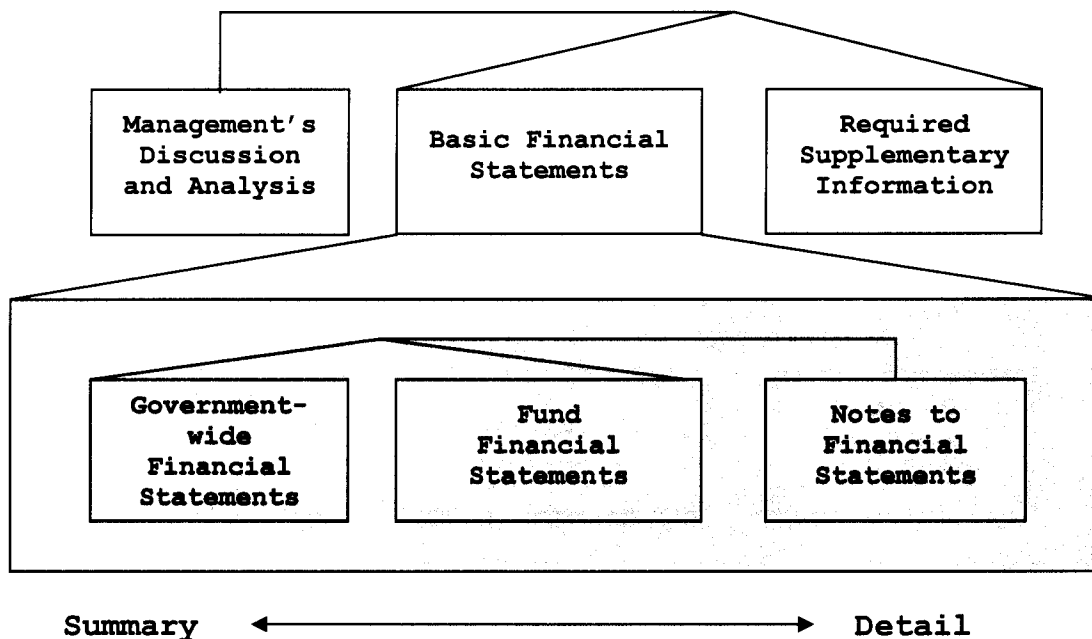


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund. The District also uses an Internal Service Fund to account for health benefit plans.

The required financial statements for proprietary funds include a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 2,214	2,167	22	43	2,236	2,210	1.18%
Capital assets	1,477	1,466	1	1	1,478	1,467	0.75%
Total assets	3,691	3,633	23	44	3,714	3,677	1.01%
Current liabilities	1,211	1,144	6	1	1,217	1,145	6.29%
Non-current liabilities	-	-	-	-	-	-	0.00%
Total liabilities	1,211	1,144	6	1	1,217	1,145	6.29%
Net Assets							
Invested in capital assets, net of related debt	1,477	1,466	1	1	1,478	1,467	0.75%
Restricted	141	275	-	-	141	275	-48.73%
Unrestricted	862	748	16	42	878	790	11.14%
Total net assets	\$ 2,480	2,489	17	43	2,497	2,532	-1.38%

The District's combined net assets decreased by 1%, or approximately \$35,000 under the prior year. The largest portion of the District's net assets is invested in cash and capital assets.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$88,000 or 11%. This growth was due in large part to spending controls that continue to be maintained.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental		Business type		Total		Total	
Activities		Activities		School	District	Change	
2008	2007	2008	2007	2008	2007	2007-08	
\$ 684	660	89	111	773	771	0.26%	
499	509	56	54	555	563	-1.42%	
1,011	977	-	-	1,011	977	3.48%	
130	169	-	-	130	169	-23.08%	
793	887	-	-	793	887	-10.60%	
46	21	-	-	46	21	119.05%	
<u>3,163</u>	<u>3,223</u>	<u>145</u>	<u>165</u>	<u>3,308</u>	<u>3,388</u>	<u>-2.36%</u>	
2,133	2,091	-	-	2,133	2,091	2.01%	
757	656	-	-	757	656	15.40%	
-	-	171	151	171	151	13.25%	
<u>331</u>	<u>240</u>	<u>-</u>	<u>-</u>	<u>331</u>	<u>240</u>	<u>37.92%</u>	
<u>3,221</u>	<u>2,987</u>	<u>171</u>	<u>151</u>	<u>3,392</u>	<u>3,138</u>	<u>8.09%</u>	
\$ (58)	236	(26)	14	(84)	250	-133.60%	

Property tax and unrestricted state grants account for 55% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,223,280 and expenses were \$2,987,045.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,133	2,091	2.01%	1,042	1,009	3.27%
Support Services	757	656	15.40%	757	653	15.93%
Other expenses	331	240	37.92%	240	156	53.85%
Totals	<u>\$ 3,221</u>	<u>2,987</u>	<u>7.83%</u>	<u>2,039</u>	<u>1,818</u>	<u>12.16%</u>

- The cost financed by users of the District's programs was \$683,710.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$240,041.
- The net cost of governmental activities was financed with \$878,748 in property and other taxes and \$793,398 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$145,000 and expenses were \$171,066. The District's business type activities include the School Nutrition Fund and a Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the District held meal prices along with daycare and preschool rates steady. The District began the preschool program in fiscal year 2006 in an effort to increase future enrollment.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Graettinger Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of 821,388, a 10% decrease under last year's ending fund balances of \$910,377.

Governmental Fund Highlights

- The District's General Fund financial status decreased slightly this year. The District carefully monitors discretionary spending to avoid decreases in fund balances. This becomes more difficult every year due to state's decision to remove the budget guarantee.
- The Physical Plant and Equipment Levy (PPEL levy) decreased by \$22,000 as a result of the District doing a variety of projects.
- The Capital Projects fund decreased in the fiscal year ending June 30, 2008. This money can be used for many of the same purposes as the District's PPEL levy. The District is currently using these funds for infrastructure projects.

Proprietary Fund Highlights

Beginning in the 2005-2006 school year a fund was established for a preschool operated by the District. It is hoped that this will assist in maintaining future enrollment. The fund is operating at a profit.

BUDGETARY HIGHLIGHTS

The District's receipts were \$211,232 less than budgeted receipts. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,478,584, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 20% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$146,376.

The original cost of the District's capital assets was \$3,307,322. Governmental funds account for \$3,285,949, with the remainder of \$21,373 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and transportation category. The District spent over \$67,000 on a new bus.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 52	52	-	-	52	52	0.00%
Site improvements	33	35					
Buildings and improvements	997	981	-	-	997	981	1.63%
Furniture and equipment	395	397	1	1	396	398	-0.50%
Totals	<u>\$ 1,477</u>	<u>1,465</u>	<u>1</u>	<u>1</u>	<u>1,445</u>	<u>1,431</u>	<u>0.98%</u>

Long-Term Debt

The District has no long-term debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and the effects of the removal of the 100% budget guarantee will require due diligence out the part of the administration and board of education.
- Graettinger and Terril have approved a reorganization beginning with fiscal year 2011.
- Adequate allowable growth is a necessity in order for the District to properly maintain its educational opportunities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Chapman, District Secretary/Treasurer, Graettinger Community School District, 400 W Lost Island St, Graettinger, IA 51342.

Basic Financial Statements

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 1,029,358	16,762	1,046,120
Receivables:			
Property tax:			
Current year	12,075	-	12,075
Succeeding year	908,568	-	908,568
Income surtax - succeeding year	119,829	-	119,829
Due from other governments	114,891	-	114,891
Other receivables	29,503	2,948	32,451
Inventories	-	2,581	2,581
Capital assets, net of accumulated depreciation	<u>1,477,303</u>	<u>1,281</u>	<u>1,478,584</u>
Total assets	<u>3,691,527</u>	<u>23,572</u>	<u>3,715,099</u>
Liabilities			
Accounts payable	146,591	6,401	152,992
Accrued salary and benefits	155,918	-	155,918
Deferred revenue:			
Succeeding year property tax	<u>908,568</u>	<u>-</u>	<u>908,568</u>
Total liabilities	<u>1,211,077</u>	<u>6,401</u>	<u>1,217,478</u>
Net assets			
Invested in capital assets	1,477,303	1,281	1,478,584
Restricted for:			
Management levy	23,322	-	23,322
Physical plant and equipment levy	25,784	-	25,784
Capital projects	92,333	-	92,333
Unrestricted	<u>861,708</u>	<u>15,890</u>	<u>877,598</u>
Total net assets	<u>\$ 2,480,450</u>	<u>17,171</u>	<u>2,497,621</u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 2,132,569	683,710	407,592	(1,041,267)	-	(1,041,267)
Support services:						
Student services	23,047	-	-	(23,047)	-	(23,047)
Instructional staff services	27,223	-	-	(27,223)	-	(27,223)
Administration services	362,483	-	-	(362,483)	-	(362,483)
Operation and maintenance of plant services	236,111	-	309	(235,802)	-	(235,802)
Transportation services	108,600	-	-	(108,600)	-	(108,600)
	757,464	-	309	(757,155)	-	(757,155)
Other expenditures:						
AEA flowthrough	84,078	-	84,078	-	-	-
Facilities acquisition and construction	100,829	-	6,890	(93,939)	-	(93,939)
Depreciation (unallocated)*	146,248	-	-	(146,248)	-	(146,248)
	331,155	-	90,968	(240,187)	-	(240,187)
Total governmental activities	3,221,188	683,710	498,869	(2,038,609)	-	(2,038,609)

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business type activities:				
Non-instructional programs:				
Nutrition and day care services	171,066	89,426	55,574	(26,066)
Total	<u>\$ 3,392,254</u>	<u>773,136</u>	<u>554,443</u>	<u>(2,064,675)</u>
General Revenues:				
Property tax levied for:				
General purposes			\$ 806,709	-
Management fund			47,457	-
Capital outlay			24,582	-
Income surtaxes collected for:				
General purposes			78,644	-
Capital outlay			53,267	-
Sales tax collected for:				
Capital outlay			130,471	-
Unrestricted state grants			793,398	-
Unrestricted investment earnings			32,316	-
Other			13,653	-
Total general revenues			<u>1,980,497</u>	<u>1,980,497</u>
Change in net assets			(58,112)	(84,178)
Net assets beginning of year			<u>2,538,562</u>	<u>2,581,799</u>
Net assets end of year			<u>\$ 2,480,450</u>	<u>2,497,621</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 768,199	33,301	80,210	85,718	967,428
Receivables:					
Property tax:					
Current year	11,007	412	-	656	12,075
Succeeding year	841,775	26,793	-	40,000	908,568
Income surtax - succeeding year	74,890	44,939	-	-	119,829
Due from other governments	92,274	-	22,617	-	114,891
Other receivables	<u>15,424</u>	<u>-</u>	<u>-</u>	<u>14,079</u>	<u>29,503</u>
Total assets	<u>\$ 1,803,569</u>	<u>105,445</u>	<u>102,827</u>	<u>140,453</u>	<u>2,152,294</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 117,601	7,929	10,494	10,567	146,591
Accrued salary and benefits	155,918	-	-	-	155,918
Deferred revenue:					
Succeeding year property tax	841,775	26,793	-	40,000	908,568
Succeeding year income surtax	<u>74,890</u>	<u>44,939</u>	<u>-</u>	<u>-</u>	<u>119,829</u>
Total liabilities	<u>1,190,184</u>	<u>79,661</u>	<u>10,494</u>	<u>50,567</u>	<u>1,330,906</u>
Fund balances:					
Reserved for capital projects	-	-	92,333	-	92,333
Unreserved	<u>613,385</u>	<u>25,784</u>	<u>-</u>	<u>89,886</u>	<u>729,055</u>
Total fund balances	<u>613,385</u>	<u>25,784</u>	<u>92,333</u>	<u>89,886</u>	<u>821,388</u>
Total liabilities and fund balances	<u>\$ 1,803,569</u>	<u>105,445</u>	<u>102,827</u>	<u>140,453</u>	<u>2,152,294</u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 821,388
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	119,829
Internal Service fund assets that are to be included with governmental funds.	61,930
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>1,477,303</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 2,480,450</u>

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 880,658	75,027	130,471	47,457	1,133,613
Tuition	492,788	-	-	-	492,788
Other	273,755	128	6,890	130,814	411,587
State sources	1,043,911	19	-	35	1,043,965
Federal sources	73,606	-	-	-	73,606
Total revenues	<u>2,764,718</u>	<u>75,174</u>	<u>137,361</u>	<u>178,306</u>	<u>3,155,559</u>
Expenditures:					
Instruction:	<u>2,002,898</u>	<u>-</u>	<u>-</u>	<u>165,523</u>	<u>2,168,421</u>
Support services:					
Student services	23,047	-	-	-	23,047
Instructional staff services	27,223	-	-	-	27,223
Administration services	326,252	26,274	3,650	6,307	362,483
Operation and maintenance of plant services	215,092	-	791	20,228	236,111
Transportation services	<u>108,600</u>	<u>31,700</u>	<u>36,000</u>	<u>-</u>	<u>176,300</u>
	<u>700,214</u>	<u>57,974</u>	<u>40,441</u>	<u>26,535</u>	<u>825,164</u>
Other expenditures					
AEA flowthrough	84,078	-	-	-	84,078
Facilities acquisition and construction	<u>-</u>	<u>39,675</u>	<u>127,210</u>	<u>-</u>	<u>166,885</u>
	<u>84,078</u>	<u>39,675</u>	<u>127,210</u>	<u>-</u>	<u>250,963</u>
Total expenditures	<u>2,787,190</u>	<u>97,649</u>	<u>167,651</u>	<u>192,058</u>	<u>3,244,548</u>
Excess (deficiency) of revenues over (under) expenditures	(22,472)	(22,475)	(30,290)	(13,752)	(88,989)
Fund balances beginning of year	<u>635,857</u>	<u>48,259</u>	<u>122,623</u>	<u>103,638</u>	<u>910,377</u>
Fund balances end of year	<u>\$ 613,385</u>	<u>25,784</u>	<u>92,333</u>	<u>89,886</u>	<u>821,388</u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ (88,989)

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 7,517

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. 12,591

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 157,017		
Depreciation expense	(146,248)	10,769	

Change in net assets of governmental activities (Exhibit B) \$ (58,112)

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

June 30, 2008

	Enterprise Funds			Governmental Activities
	School Nutrition	Preschool	Total	Internal Service
Assets				
Cash and pooled investments	\$ -	16,762	16,762	61,930
Other receivables	164	2,784	2,948	-
Inventories	2,581	-	2,581	-
Capital assets, net of accumulated depreciation	1,281	-	1,281	-
Total assets	<u>4,026</u>	<u>19,546</u>	<u>23,572</u>	<u>61,930</u>
Liabilities				
Accounts payable	<u>1,654</u>	<u>4,747</u>	<u>6,401</u>	<u>-</u>
Net assets				
Invested in capital assets, net of related debt	1,281	-	1,281	-
Reserved for employee benefits	-	-	-	61,930
Unrestricted	<u>1,091</u>	<u>14,799</u>	<u>15,890</u>	<u>-</u>
Total net assets	<u>\$ 2,372</u>	<u>14,799</u>	<u>17,171</u>	<u>61,930</u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2008

	Enterprise Funds			Governmental Activities
	School Nutrition	Preschool	Total	Internal Service
Operating revenue:				
Local sources:				
Charges for services	\$ 60,238	29,188	89,426	21,012
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	50,973	-	50,973	-
Benefits	6,974	-	6,974	-
Services	454	-	454	-
Supplies	65,940	-	65,940	-
Depreciation	128	-	128	-
Total operating expenses	124,469	-	124,469	-
Community service programs:				
Salaries	-	36,734	36,734	-
Benefits	-	5,612	5,612	-
Services	-	10	10	-
Supplies	-	4,241	4,241	-
	-	46,597	46,597	-
Internal service programs:				
Benefits	-	-	-	8,421
Total operating expenses	124,469	46,597	171,066	8,421
Operating profit (loss)	(64,231)	(17,409)	(81,640)	12,591
Non-operating revenues:				
Local sources	50	224	274	-
State sources	1,328	2,784	4,112	-
Federal sources	51,188	-	51,188	-
	52,566	3,008	55,574	-
Change in net assets	(11,665)	(14,401)	(26,066)	12,591
Net assets beginning of year	14,037	29,200	43,237	49,339
Net assets end of year	\$ 2,372	14,799	17,171	61,930

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	School Nutrition	Preschool	Total	Governmental Activities Internal Service
Cash flows from operating activities:				
Cash received from sale of services	\$ 60,074	26,404	86,478	21,012
Cash payments to employees for services	(57,947)	(38,838)	(96,785)	(8,421)
Cash payments to suppliers for goods or services	(53,098)	(4,249)	(57,347)	-
Net cash provided by (used in) operating activities	(50,971)	(16,683)	(67,654)	12,591
Cash flows from non-capital financing activities:				
State grants received	1,328	2,784	4,112	-
Federal grants received	41,232	-	41,232	-
Net cash provided by non-capital financing activities	42,560	2,784	45,344	-
Cash flows from investing activities:				
Interest on investments	50	224	274	-
Net increase (decrease) in cash and cash equivalents	(8,361)	(13,675)	(22,036)	12,591
Cash and cash equivalents beginning of year	8,361	30,437	38,798	49,339
Cash and cash equivalents end of year	\$ -	16,762	16,762	61,930
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	\$ (64,231)	(17,409)	(81,640)	12,591
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	128	-	128	-
Commodities used	9,956	-	9,956	-
(Increase) in other receivables	(164)	(2,784)	(2,948)	-
Decrease in inventory	1,721	-	1,721	-
Increase in accounts payable	1,619	3,510	5,129	-
	(50,971)	(16,683)	(67,654)	12,591

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$9,956.

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Graettinger Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Graettinger, Iowa, and agricultural area in Palo Alto and Emmett Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District also contracts, as explained in note 6, with the Terril Community School District to educate students in grades five through twelve.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Graettinger Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Graettinger Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto and Emmett County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District. Also, an Internal Service Fund is maintained to account for certain health benefit plans.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceed the amounts budgeted in the non-instructional programs and other expenditures functions.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,218	-	-	52,218
Capital assets being depreciated:				
Site improvements	36,609	-	-	36,609
Buildings and improvements	1,904,293	66,056	-	1,970,349
Furniture and Equipment	1,135,812	90,961	-	1,226,773
Total capital assets being depreciated	3,076,714	157,017	-	3,233,731
Less accumulated depreciation for:				
Site improvements	1,830	1,830	-	3,660
Buildings and improvements	921,190	52,305	-	973,495
Furniture and Equipment	739,378	92,113	-	831,491
Total accumulated depreciation	1,662,398	146,248	-	1,808,646
Total capital assets being depreciated, net	1,414,316	10,769	-	1,425,085
Governmental activities, capital assets, net	\$ 1,466,534	10,769	-	1,477,303
Business type activities:				
Furniture and equipment	\$ 21,373	-	-	21,373
Less accumulated depreciation	19,964	128	-	20,092
Business type activities capital assets, net	\$ 1,409	(128)	-	1,281
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 146,248
Business type activities:				
Food service operations				\$ 128

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll, for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$80,136, \$71,527, and \$72,577 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$84,078 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Two-Way Whole Grade Sharing

The District has entered into a contract with Terril Community School District to complete the academic and extra-curricular needs of students in grades six through twelve. All regular education students in grades three and nine through twelve attend the Graettinger Community School District. All regular education students in grades six through eight will attend the Terril Community School District.

(7) Reorganization

The voters of the Graettinger and Terril School Districts have approved a reorganization of the districts effective July 1, 2010.

Required Supplementary Information

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 2,037,988	89,700	2,127,688	2,200,213	2,200,213	(72,525)
State sources	1,043,965	4,112	1,048,077	1,145,578	1,145,578	(97,501)
Federal sources	73,606	51,188	124,794	166,000	166,000	(41,206)
Total revenues	<u>3,155,559</u>	<u>145,000</u>	<u>3,300,559</u>	<u>3,511,791</u>	<u>3,511,791</u>	<u>(211,232)</u>
Expenditures:						
Instruction	2,168,421	-	2,168,421	3,016,809	3,016,809	848,388
Support services	825,164	-	825,164	827,170	827,170	2,006
Non-instructional programs	-	171,066	171,066	138,800	138,800	(32,266)
Other expenditures	250,963	-	250,963	250,694	250,694	(269)
Total expenditures	<u>3,244,548</u>	<u>171,066</u>	<u>3,415,614</u>	<u>4,233,473</u>	<u>4,233,473</u>	<u>817,859</u>
Excess (deficiency) of revenues over (under) expenditures	(88,989)	(26,066)	(115,055)	(721,682)	(721,682)	606,627
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(88,989)	(26,066)	(115,055)	(721,682)	(721,682)	606,627
Balance beginning of year	<u>910,377</u>	<u>43,237</u>	<u>953,614</u>	<u>809,866</u>	<u>809,866</u>	<u>143,748</u>
Balance end of year	<u>\$ 821,388</u>	<u>17,171</u>	<u>838,559</u>	<u>88,184</u>	<u>88,184</u>	<u>750,375</u>

See accompanying independent auditor's report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 22,749	62,969	85,718
Property tax receivable:			
Current year	656	-	656
Succeeding year	40,000	-	40,000
Other receivables	-	14,079	14,079
Total assets	\$ 63,405	77,048	140,453
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 83	10,484	10,567
Deferred revenue:			
Succeeding year property tax	40,000	-	40,000
	40,083	10,484	50,567
Fund balances:			
Unreserved fund balance	23,322	66,564	89,886
	23,322	66,564	89,886
Total liabilities and fund balances	\$ 63,405	77,048	140,453

See accompanying independent auditor's report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2008

	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 47,457	-	47,457
Other	127	130,687	130,814
State sources	35	-	35
Total revenues	<u>47,619</u>	<u>130,687</u>	<u>178,306</u>
Expenditures:			
Instruction:	28,108	137,415	165,523
Support services:			
Administration services	6,307	-	6,307
Plant operation and maintenance	<u>20,228</u>	<u>-</u>	<u>20,228</u>
Total expenditures	<u>54,643</u>	<u>137,415</u>	<u>192,058</u>
Excess (deficiency) of revenues over (under) expenditures	(7,024)	(6,728)	(13,752)
Fund balances beginning of year	<u>30,346</u>	<u>73,292</u>	<u>103,638</u>
Balance end of year	<u>\$ 23,322</u>	<u>66,564</u>	<u>89,886</u>

See accompanying independent auditor's report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletic	\$ 43,754	67,995	73,676	38,073
Student Council	1,112	5,766	5,376	1,502
FFA	6,502	23,204	20,730	8,976
Cheerleaders	109	3,183	2,272	1,020
National Honor Society	2,083	2,027	2,753	1,357
Speech/Drama	347	99	422	24
Class of 2007	720	-	720	-
Class of 2008	2,451	-	412	2,039
Class of 2009	1,875	12,500	10,406	3,969
Class of 2010	182	764	1,693	(747)
Class of 2011	-	430	182	248
Elementary	279	1,973	1,628	624
Yearbook/Annual	1,793	4,241	5,959	75
Band	-	189	189	-
Vocal	1,196	136	637	695
Library	241	66	-	307
Miscellaneous	6,921	3,640	5,686	4,875
Interest	41	344	-	385
Office	3,073	2,648	2,956	2,765
Art	489	1,482	1,416	555
Marketing	45	-	-	45
Play	79	-	302	(223)
Total	\$ 73,292	130,687	137,415	66,564

See accompanying independent auditor's report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2006	2005	2004
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,133,613	1,124,306	1,085,501	1,049,547	932,582
Tuition	492,788	484,002	561,756	424,218	457,061
Other	411,587	360,849	342,220	356,201	173,639
State sources	1,043,965	1,128,558	1,149,242	1,090,642	1,112,187
Federal sources	73,606	104,279	131,651	135,352	126,899
Total	<u>3,155,559</u>	<u>3,201,994</u>	<u>3,270,370</u>	<u>3,055,960</u>	<u>2,802,368</u>
Expenditures:					
Instruction	2,168,421	2,122,298	2,201,515	2,048,458	1,952,041
Support services:					
Student	23,047	18,998	10,520	16,872	2,638
Instructional staff	27,223	31,613	53,397	10,156	40,687
Administration	362,483	314,589	305,483	244,511	232,608
Operation and maintenance of plant	236,111	219,401	250,727	243,369	241,671
Transportation	176,300	108,165	93,226	70,740	59,614
Noninstructional programs:					
Food service operations	-	-	-	-	2,219
Other expenditures:					
Facilities acquisition	166,885	243,235	70,849	60,697	14,186
AEA flowthrough	84,078	83,493	80,572	87,596	82,309
Total	<u>3,244,548</u>	<u>3,141,792</u>	<u>3,066,289</u>	<u>2,782,399</u>	<u>2,627,973</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Graettinger Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Graettinger Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Graettinger Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Graettinger Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Graettinger Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency as well as a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Graettinger Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Graettinger Community School District's financial statements that is more than inconsequential will not be prevented or detected by Graettinger Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Graettinger Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item 08-I-A, to be a material weakness.

Compliance and Other Matters

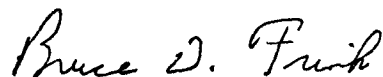
As part of obtaining reasonable assurance about whether Graettinger Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Graettinger Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Graettinger Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Graettinger Community School District and other parties to whom Graettinger Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Graettinger Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 25, 2009

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY

08-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-IV-B Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the certified budget amounts in the non-instructional programs and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-II-C Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-D Business Transactions - No business transactions between the District and District officials or employees were noted.

08-II-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

08-II-F Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

08-II-G Questionable Expenditures - We noted a \$7,500 check to the Lakeland Youth Club that was paid out of the Student Activity Fund. The Club is not a part of the District, no detailed supporting documents were provided nor did there appear to be a public purpose as required by Article III, Section 31 of the Constitution of the State of Iowa and an Attorney General's opinion date April 25, 1979.

Recommendation - We recommend that District consult legal counsel to determine whether the expenditure is proper.

Response - We will consult with our legal counsel.

Conclusion - Response accepted. We will follow up in next year's audit to determine the results of the legal consultation and any action taken based on their recommendation.

08-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

08-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.